

Message Text

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17

ACTION EA-14

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-03 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-03 INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 INT-08 FEA-02 DODE-00 PA-04 USIA-15 PRS-01

EUR-25 L-03 MC-02 SAI-01 NSCE-00 AGR-20 DRC-01 /213 W

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R 230605Z SEP 74

FM USLO PEKING

TO SECSTATE WASHDC 2444

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: ETRD, US, CH

SUBJECT: SALE OF HEAVY MINING TRUCKS TO THE PRC

REF: PEKING 1633

1. WESTINGHOUSE AIR BRAKE (WABCO) HAS SOLD THE PRC \$7 MILLION WORTH OF HEAVY MINING TRUCKS, ACCORDING TO DR. C.J. WANG WHO HAS WORKED WITH WABCO IN PEKING IN NEGOTIATING THE DEAL. THE VEHICLES INCLUDE TEN 120-TON CAPACITY ELECTRICAL TRANSMISSION MINING TRUCKS (WHICH TOGETHER WITH SPARE PARTS COME TO ABOUT \$6 MILLION), AND TWO 75 TON AND TWO 35 TON-CAPACITY MECHANICAL TRUCKS (WHICH COST ABOUT \$1 MILLION). THE VEHICLES WILL BE USED FOR IRON ORE STRIP MINING. DELIVERY IS SCHEDULED TO BEGIN IN THE MIDDLE OF NEXT YEAR, WITH ABOUT HALF OF THE ORDER TO ARRIVE IN 1975 AND HALF DURING THE FIRST SIX MONTHS OF 1976.

2. THE NEGOTIATIONS, WHICH LASTED ONLY OVER THREE WEEKS, ALMOST BROKE DOWN OVER PRICE DIFFERENCES BUT WANG WAS ABLE TO ARRANGE A LAST MINUTE COMPROMISE. THE CHINESE CONSIDERED A WABCO PROPOSAL

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FOR AN ESCALATION ARRANGEMENT TO PROTECT THE COMPANY AGAINST

INFLATION, BUT LATER REJECTED THE IDEA IN PREFERENCE FOR THE USUAL FIXED PRICE ARRANGEMENT. (TO OUR KNOWLEDGE, THE CHINESE HAVE NEVER ACCEPTED AN ESCALATION ARRANGEMENT ALTHOUGH ALMOST ALL PROSPECTIVE SELLERS TO CHINA ARE NOW ASKING FOR IT.) A LETTER OF INTENT BETWEEN WABCO AND THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION (MACHIMPEX) WAS SIGNED ON SEPTEMBER 20, AND A FINAL CONTRACT WILL BE SIGNED NEXT MONTH. THE AGREEMENT WILL PROVIDE FOR 8 TO 10 CHINESE TECHNICIANS TO RECEIVE TRAINING AT WABCO'S HEADQUARTERS IN PEORIA, ILLINOIS.

3. WANG BELIEVES THIS SALE WILL LEAD TO SUBSTANTIAL FURTHER SALES IN ABOUT A YEAR AND A HALF AFTER THE CHINESE HAVE HAD AN OPPORTUNITY TO FAMILIARIZE THEMSELVES WITH VEHICLES OF SUCH LARGE SIZE. HE SAID THE CHINESE HAVE LITTLE EXPERIENCE WITH TRUCKS ABOVE 35 TON CAPACITY FOR WHICH THE US WOULD BE THE MOST LOGICAL SOURCE OF SUPPLY.

4. WANG PLANS TO REMAIN IN CHINA (AT PEKING AND AT THE CANTON FAIR) UNTIL THE WABCO CONTRACT SIGNING, IN ORDER TO EXPLORE BUSINESS OPPORTUNITIES FOR HIS OTHER CLIENTS PRINCIPALLY SUPPLIERS OF OIL FIELD EQUIPMENT AND CONSTRUCTION EQUIPMENT) AND TO MAKE SOME PURCHASES ON BEHALF OF HIS OWN FIRM, INTERNATIONAL CORPORATION OF AMERICA.

5. THE FOREGOING INFORMATION ON THE WABCO SALE WAS PROVIDED TO US IN CONFIDENCE AND SHOULD BE HELD CLOSELY, ESPECIALLY SINCE THE FINAL CONTRACT HAS NOT YET BEEN SIGNED.
BRUCE

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